

ACKERMAN TRUST

PURPOSE

To establish City policy for the distribution of the proceeds of the income from the Ackerman Property.

POLICY

Per the terms of the Carl Ackerman Family Trust, the net sales proceeds of certain property in McFadden Square were divided between the University of California, Irvine, and the City of Newport Beach. The proceeds were distributed as follows:

Sixty (60) percent of the proceeds were distributed to the University of California, Irvine, to be used for scholarship funding for needy qualified students.

Forty (40) percent of the proceeds were to be distributed to the City of Newport Beach to be used in the following manner:

Seventy-five (75) percent of the City's share to create a permanent endowment to provide a perpetual annuity that can be used to acquire high-tech library equipment.

Twenty-five (25) percent of the City's share to create a permanent endowment to provide a perpetual annuity to fund scholarships for needy qualified students. This scholarship fund shall be open to any child who resides in Newport Beach, and to the children of City employees.

The following procedures are established to meet the terms of the Ackerman Trust.

The City shall deposit its share of the proceeds from the sale of Ackerman property into a Permanent Fund. Within that fund, the City shall create separate permanent endowment reserves to account for the principal share of both the high-tech library equipment (\$579,586) reserve and the scholarship reserve (\$193,195). The City may not spend any portion of the permanent endowment.

The City shall also create similar reserves to track the restricted and unrestricted expendable portions of each endowment. To preserve the economic vitality of the Ackerman annuities, the City shall further restrict a portion of this fund's interest earnings to the "Inflation Reserve" that will represent a buffer against inflation. The

remaining balance, if any, shall represent the spendable portion of each endowment. For each of the endowments, interest shall be allocated between the Spendable and Inflation reserves in accordance with the tables below based on the reserve totals of the preceding year.

In the case of the high tech library endowment, the Library Services Director will make a recommendation to the City Manager to request expenditure appropriations from the Spendable Reserve balance during the budget process or at any time during the year when an appropriate high tech equipment need is identified and no other funding sources are available. The appropriation request shall be subject to the normal Council approval process as provided by Council Policy F-3.

In the case of the scholarship endowment, the Administrative Services Director will recommend to the City Manager the amount to be appropriated for the coming budget year in accordance with the tables below. Unless otherwise recommended by the City Manager or City Council, budget appropriations will be set to equal the interest credit to the Spendable Reserve that occurred during the preceding fiscal year unless the interest credit falls short of the minimum threshold or exceeds the maximum appropriation threshold in which case the appropriation shall equal the applicable appropriation threshold. While the appropriation represents the authorized amount, there shall be no requirement for the program administrators to spend the authorized funds in any year.

The program administrator for the High Tech Library Equipment endowment shall be the Library Services Director while the program administrator for the Scholarship Endowment shall be the Human Resources Director. It shall be at the discretion of the program administrators to determine the most appropriate means to fulfill the intent of the endowment consistent with Council Policies or other City practices.

Table 1. Interest Allocation Schedule for Scholarship Reserves

Total Balance of Scholarship Reserves as of June 30			Interest Allocation		Appropriation Threshold	
			Spendable Reserve	Inflation Reserve	Annual Minimum	Annual Maximum
200,000	to	300,000	30%	70%	\$0	\$5,000
300,000	to	400,000	40%	60%	\$2,500	\$7,500
400,000	to	500,000	50%	50%	\$5,000	\$10,000
500,000	to	600,000	50%	50%	\$6,250	\$12,500
600,000	to	700,000	50%	50%	\$7,500	\$15,000
700,000	to	800,000	50%	50%	\$8,750	\$17,500
800,000	to	900,000	50%	50%	\$10,000	\$20,000
900,000	to	1,000,000	50%	50%	\$11,250	\$22,500
1,000,000	to	1,100,000	50%	50%	\$12,500	\$25,000

Table 2. Interest Allocation Schedule for High Tech Library Reserves

Total Balance of High Tech Library Reserves as of June 30			Interest Allocation		Appropriation Threshold	
			Spendable Reserve	Inflation Reserve	Annual Minimum	Annual Maximum
600,000	to	700,000	15%	85%	\$0	
700,000	to	800,000	25%	75%	\$0	For all
800,000	to	900,000	35%	65%	\$0	Reserve
900,000	to	1,000,000	45%	55%	\$0	Levels, the
1,000,000	to	1,100,000	50%	50%	\$0	Annual
1,100,000	to	1,200,000	50%	50%	\$0	Maximum is
1,200,000	to	1,300,000	50%	50%	\$0	the balance of
1,300,000	to	1,400,000	50%	50%	\$0	the Spendable
1,400,000	to	1,500,000	50%	50%	\$0	Reserves

Table Notes:

The tables were constructed assuming economic conditions where the City might expect to earn 5% and the consumer price index (CPI) is expected to increase 2.5%. Under this assumption, 50% (2.5%/5%) of annual interest earnings are expected to be eroded by inflation. The minimum threshold was established to provide continuity of the Scholarship program in years where the economic assumptions do not hold true, and inflation or low interest earnings might otherwise completely preclude scholarship awards in any one year. However, in no case shall it be allowable to appropriate or expend any portion of the permanent endowment reserves. The maximum threshold is intended to provide funding in high interest earning years for those years where the minimum threshold was utilized.

Adopted - January 24, 1994
Amended - May 8, 2001
Amended - April 13, 2004
Amended - August 11, 2009